

OFM Year End Information - 2005

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1. Key Dates

December 16: Final Warrant Cancellation cutoff for calendar year 2005.

December 23: PAYDAY!

December 22 – December 30, 2005: Manual Adjustment Time Frame

- Possible manual payroll emergency issues
 - Would require OST manual tax deposits
- Possible manual payroll cancellations
- Possible overpayments – resolve employee recoveries if at all possible by **December 30, 2005**

December 30, 2005 at 6:00pm: Year to Date file goes down for 2005.

December 31, 2005: Forms W-5 expire. Eligible employees must file new forms.

Prior to sending out 4th quarter 2005 IRS Form 941: Ensure that Forms 941, 941c, W-2, and W-2c are in balance. Doing so will help avoid penalties from the IRS, SSA, or both.

Items to be postmarked by January 31, 2006 (Friday):

- IRS Fourth Quarter, 2005 Form 941 (Employer's Federal Quarterly Tax Return)
- Forms W2 to employees

February 15, 2006: Exempt Forms W-4 expire.

- Per IRS Publication 15 (<http://www.irs.gov/pub/irs-pdf/p15.pdf>), any Form W-4 previously given to you claiming exemption from withholding has expired.
- Begin withholding for any employee who previously claimed exemption from withholding, but has not given you a new Form W-4 for the current year.
- If the employee does not give you a new Form W-4, withhold tax as if he or she is single, with zero withholding allowances.
- However, if you have an earlier Form W-4 for this employee that is valid, withhold based on that earlier Form W-4.

2. Internal Revenue Service

Taxable Fringe Benefits:

The 2005 IRS guide to Taxable Fringe Benefits can be viewed at the following web address: <http://www.irs.ustreas.gov/pub/irs-pdf/p15b.pdf>

In addition, the actual guide used in the IRS Taxable Fringe Benefit training offered by the IRS can be viewed at:

http://www.irs.ustreas.gov/pub/irs-tege/fringe_bnft_flgsg.pdf

IRS Contact Information for Government Agencies:

- 1-877-829-5500
- <http://www.irs.gov/govt/flsg/>

Forms and Instructions:

- Form **W-2** (Wage and Tax Statement), Form W-3 (Transmittal of Wage and Tax Statements) and instructions
- Forms **W-2c** (Corrected Wage and Tax Statement), Form **W-3c** (Transmittal of Corrected Wage and Tax Statements), (multiple copies) and instructions – American Payroll Association fill-in forms: <http://www.americanpayroll.org/news/formw2c.html>
- Form **941c** (Supporting Statement to Correct Information)
- Form **843** (Claim for Refund and Tax Abatement)

The following website can be used to research any of the above mentioned forms and instructions as well as all other forms and instructions provided by the IRS: <http://www.irs.gov/formspubs/lists/0,,id=97817,00.html>

Internal Revenue Service (Continued)

Overpayments Collected for Prior Years:

Per the IRS, wages repaid for prior years do not reduce the actual wages paid to an employee in the current tax year. The employee may claim the repayment on Form 1040.

The example below relates to Form W-2 Box 1 (Wages, Tips, and Other Compensation) only:

- Employee paid \$11,000 in 2005, \$1,000 of which was an overpayment
- Employee pays back the \$1,000 in 2006
- Employee paid \$15,000 in 2006
- Therefore:
 - 2005 Box 1 is \$11,000
 - 2006 Box 1 is \$15,000
 - Employee takes a deduction for \$1,000 in 2006 on their 1040.
 - Employer DOES NOT reduce 2006 wages to \$14,000

For further information, see IRS Publication 15, Page 28, "Wage Repayments."

<http://www.irs.ustreas.gov/pub/irs-pdf/p15.pdf>

3. Social Security Administration

The Social Security Administration has updated its "Critical Links" document, which provides guidance to employers on correctly reporting names and social security numbers on Forms W-2 so that SSA can match each W-2 to the employee's lifelong earnings history. The "Critical Links" document can be found at: <http://www.socialsecurity.gov/employer/critical.htm>

IRS Regulation 31.6011(b)-2(b)(1)(i) requires that employees provide employers with their social security card when requested, if it is available. The Social Security Administration (SSA) encourages:

- Employers to verify an employee's name and social security number (SSN) on the employee's W-4 form as part of the hiring process for tax withholding and reporting purposes and
- Workers NOT to carry their SSN or social security card on them because of identity theft.

The social security card ***cannot be a required*** document for purposes of proving the employee's authorization to work in the U.S. under the immigration law (I-9).

Employers can be proactive by calling the SSA's special employer number at **1-800-772-6270** to verify up to five SSN's at a time.

Knowing what social security numbers have been allocated will help you determine if a social security number is valid. The SSA has two guides that will help you make this determination:

- Social Security Number Allocations – How SSN's are assigned and a list of number areas by state (www.socialsecurity.gov/employer/stateweb.htm).
- High Group List – This shows the SSN area group numbers that are in the process of being issued and is updated monthly (<http://www.socialsecurity.gov/employer/highgroup.txt>)

IRS Penalties: If Form W-2 does not contain the employee's correct name or social security number, under the Internal Revenue Code, the employer "may be" penalized up to \$50.00 for each incorrect Form W-2.

Helpful Hint: If an employee has only one name, such as "Cher" or "Madonna" it would be considered the last name for W-2 reporting purposes.

4. Other State Withholding Tax (as provided by Social Security Administration)

The state and local tax data needs to be reported on the employee's copy of the W2 so that they can file state or local tax returns. However, the W2 file that the state sends to SSA does not need to contain that information; Social Security Administration (SSA) does not read state and local tax data nor pass it on to anyone.

Depending upon the locality involved, agencies may need to send state or local W2 data to that entity.

- For example, Idaho requires employers to send W2 data to the State Tax Commission while Oregon does not ask for W2s, only W3-like summary information. Each state is slightly different so you need to check with those in which you have employees.

As far as the mechanics of getting the state and local tax data to the employee, agencies have many choices.

- At one extreme, you could pull, or suppress, the automated W2 and hand type one that includes all of the Boxes 15-20 data.
- SSA does not recommend that you use the W2-C route as it may create more confusion for the employee or their tax preparer.
- The volume of these items will dictate how you handle them.

No matter how you choose to give the state and local tax data to the employee, do not send that information to SSA.

Further instructions for 2005 W-2 & W-3 forms can be found at the following IRS web address: <http://www.irs.gov/pub/irs-pdf/iw2w3.pdf>

Tim Beard
Employer Services Liaison Officer
Social Security Administration-Seattle
206 615-2125

In order to include other state wages and amounts, you will need to reissue a Form W-2 to the employee. Duplicate Form W-2 templates can be found on the Administrative and Accounting Resources website under #2, Duplicate W-2's: <http://www.ofm.wa.gov/resources/payroll.asp>

5. Office of the State Treasurer

Final journal vouchers to be sent to OST for any IRS last minute payments for the end of the year supplemental monies paid to employees after the December 23rd payroll, are due by **Noon** on any given day for OST to process an ACH file to send to IRS on the same day.

6. Office of Financial Management

Manual Processing Tasks:

The following manual processing tasks can be found on OFM's website under the Administrative and Accounting Resources website:

<http://www.ofm.wa.gov/resources/payroll.asp>

If you are unable to find what you need at this website you can contact Steve Nielson or Lynn Rostvold directly.

- Manual warrant cancellations - #1
- Duplicate Forms W-2 - #2
- Emergency payroll payments - #11
- **NEW!!**
 - OFM year-end information
 - Examples: Form 941/941c/W-2c/W-3c - #12

Note: The last item may be of help to you in reporting underpayments, overpayments, and negative Earned Income Credit to the IRS and SSA.

7. Rates for 2006

Social Security Wage Base for 2006 is \$94,200 and the Tax Rate is 6.2%

- A good check figure for reconciling the 2005 fiscal year end is to multiply your overall wage base by 6.2% (2005's Tax Rate).

Medicare Tax Rate is 1.45% for 2006, which is the same rate as 2005.

Election Worker exclusion threshold for applicable states has increased to \$1,300.

POV Mileage Rate:

- October 1, 2005 – December 31, 2005 - \$.485 per mile.
- Beginning January 1, 2006 the rate will decrease to \$.445 per mile.

Qualified Transportation Fringe Benefit Limits:

- Transit passes and vanpool privileges for 2005 was \$105.00 per month, for 2006 it is unchanged at \$105.00 per month
- Employer-provided parking for 2005 was \$200.00 per month, for 2006 it is \$205.00 per month.

Advance Earned Income Credit:

- Single Employee - Maximum Adjusted Gross Income Less Than:
 - \$31,030 for 2005 and
 - \$32,001 for 2006
- Married Filing jointly – Maximum Adjusted Gross Income Less Than:
 - \$33,030 for 2005 and
 - \$34,001 for 2006

8. Contact Information – OFM, OST, and HRISD

When You Need Help

OFM - Office of Financial Management

Contact us for any accounting-related concern or problem, plus anything where help is needed in regard to a payroll issue other than HRISD system concerns or OST-related issues concerns. OFM will try to assist agencies on whatever issues that come up.

Steve Nielson: (360) 664-7681 steve.nielson@ofm.wa.gov
Lynn Rostvold: (360) 664-7777 lynn.rostvold@ofm.wa.gov
Fax: (360) 664-3388

OST - Office of State Treasurer

Tax payments not made through the Central Payroll System:

Connie Scheller: (360) 902-8906 connie@tre.wa.gov
Virginia Farr: (360) 902-8908 virginia@tre.wa.gov
Christine Dozier: (360) 902-8909 christine@tre.wa.gov
Fax: (360) 704-5155

Payroll direct deposit:

Christine Dozier: (360) 902-8909 christine@tre.wa.gov
Lesa Williams: (360) 902-8911 lesa@tre.wa.gov
Jackie Biss: (360) 902-8914 jackie@tre.wa.gov
Fax: (360) 902-8945

Payroll warrants:

Mary Ann Johnson: (360) 902-8985 maryann@tre.wa.gov
Ed LeRiche: (360) 902-8989 ed@tre.wa.gov
Fax: (360) 664-2292

HRISD - Dept of Personnel Human Resource Info Sys Div

Call For: Processing schedules; Personnel/Payroll On-Line System questions.

HRISD Help Desk: (360) 664-6400 helpdesk@dop.wa.gov
Fax: (360) 438-7530